



Resource Municipalities
COALITION

Select Standing Committee on Financial and Government Services

Budget 2021 Consultation

The following submission to the Select Standing Committee on Financial and Governments Services – Budget 2021 Consultation is submitted by the:

Resource Municipalities Coalition

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The Resource Municipalities Coalition (Coalition) provides information for consideration in the development of the 2021 Budget. The Coalition supports a budget that improves the quality of life for British Columbians while providing a strong, sustainable economy.

The Resource Municipalities Coalition



- ❖ The Resource Municipalities Coalition (Coalition) is an organization of municipalities and service sectors of northern British Columbia that are focused on responsible resource development within British Columbia.
- ❖ The Coalition provides a unified voice for local governments and communities within British Columbia.
- ❖ The Coalition is a regionally based organization that provides research-based data supporting responsible resource development.

Our Mission

The Resource Municipalities Coalition will promote responsible resource development to ensure it sustains communities by addressing impacts on ecosystems as well as cumulative impacts to a healthy natural environment and to citizens by ensuring the provision of effective social services that improve quality of life while building a sustainable future.

Summary

As the province begins to review the Budget 2021 requirements to enhance “Making Life Better” for British Columbian’s, the Coalition would like to provide some insight on issues that concern the advancement of the provinces “... *Engine that drives the economy of BC.*” – Premier Horgan, meeting with the Resource Municipalities Coalition April 9, 2019.

In advocating for responsible resource development, the Coalition looks to support sustainable communities by addressing impacts on ecosystems as well as cumulative impacts to a healthy natural environment. It is also equally responsible to ensure that the citizens receive effective social services that improve quality of life and build sustainable futures.

The Coalition believes that by addressing these concerns effectively – a stronger, more prosperous economy will help to overcome the “*real-life challenges British Columbians face every day.*”, Making Life Better – Budget 2019.

The Coalition recognizes initiatives of recent years taken by the Province to improve the quality of life for all British Columbians. While we applaud the efforts to help “flatten the curve” from the COVID-19 pandemic, the Coalition encourages the Province to provide positive leadership in our economic recovery by recognizing the value that each region brings to the Province’s overall economy and not favour one over another.

Ministry of Transportation and Infrastructure

Summary

The Ministry of Transportation and Infrastructure's responsibility is to lead planning initiatives to address infrastructure needs of rural and urban British Columbia under the government's comprehensive infrastructure plan to build a Better BC.

This mandate has become more relevant as we navigate through a global pandemic, provincial and local economies have felt the impact of health requirements to "flatten the curve", investment into infrastructure as a long term stimulus has many benefits in regards to transportation.

As part of stimulating the economy, consideration needs to be given to geographically remote areas of the province, as they face unique challenges in improving the quality of life of their constituents - in some cases the only economical means of transport of their products and services are by way of the provincial transportation network of roads and railways.

In the last few months, we have seen a need for British Columbians to become more dependent on the resources that we can produce nationally and provincially. These resources – forestry, mining, oil and gas, agriculture, tourism, and manufacturing are the basis of a strong economy. To build this economy or at the very least support the existing economy, transportation networks need to be maintained and improved for future sustainability.

The investment into infrastructure projects like the replacement of the Taylor Bridge, realignment of the South Taylor Hill and the widening of Highway 97 from the Alberta border to Fort St John improves highway safety, provides long lasting employment and training opportunities for youth within the region, and meet the first Performance Planning goal (*Invest in rural and urban infrastructure improvements that build a strong, sustainable economy*) of the 2020/21 – 2022/23 Service Plan, published February 2020 by the Ministry of Transportation¹.

Taylor Bridge

Communities of the north often are faced with one major corridor of transportation that is negatively impacted by infrastructure age, increased activity, and natural elements such as weather. The cumulative impacts provide further risk to users and continue to degrade the usable life of the infrastructure despite aggressive maintenance programs and risk mitigation strategies. Roadways and bridges are the backbone of moving people and product to market in northern communities, with reduced infrastructure replacement spending, the ability to provide a safe quality of life and improve industries competitiveness diminish.

While we recognize efforts to improve the maintenance and quality of some infrastructure, the Coalition believes that the critical pieces of the northern infrastructure are being swept to the side in favor of more densely populated regions of the province, while traffic increases within the region. 2019 data collected shows between 6 – 7K per day with a healthy mix of passenger traffic, industrial and commercial goods moving across these roads.

Using this data and comparing it to data collect in 2015, it highlights significant growth at 30%. This level of increased traffic would suggest that annualized traffic volumes are increasing at 7.5% or 487.5 additional vehicles annually.

1) 2020/21 – 2022/23 Service Plan, Ministry of Transportation and Infrastructure – February 2020

When considering the potential impact of major project² considerations within northeast BC at \$26+ Billion, the increase activity will negatively impact businesses ability to safely transport goods and services to and from the northeast. Compounding this is the life cycle of infrastructure, at 60 years of age, the Taylor Bridge has surpassed what are considered feasible life cycle limits for a bridge of this design.

The Taylor Bridge must be recognized as “the key connection between the North Peace and the South Peace, for the North Peace, it’s the link with the rest of the province – northern Alberta even. It’s probably our most important bridge.” Scott Maxwell, May 22, 2015.

There are suitable solutions that will reduce economic impacts to the region during replacement of the bridge, recognizing that some of these solution may not be favored by some but, the Coalition does not find continued research and review as mitigation to the impacts of deck deterioration, given a risk rating of “urgency”³. Regional growth has negatively impacted the surface integrity of the Taylor Bridge and maintenance has increased to a greater frequency than twice annually – *public joke is that the bridge is made up of more rebar than steel*. The bridge requires replacement with consideration of future development and growth of the region – 4-laning required.

South Taylor Hill – Highway 97

The south Taylor Hill remains one of the busiest corridors in northeast BC, with traffic volumes continuing to rise, the impact of insufficient truck climbing lanes, limited passing lanes and the absence of truck runaway lanes, impacts the safety of this landslide prone section of highway³.

Traffic load (weight and quantity) has been identified as being the primary cause of fatigue cracking in asphalt on stable subsurface - asphalt thickness and subgrade structure can also have significant impacts on the usable life of a roadway. In addition, the freeze-thaw cycle contributes to this degradation, seen in surface distress, roughness, and rutting - further compounded by landslide tendencies that increase a risk of incident.

Increased industrial activity is anticipated with 28 major projects² in Northeast BC – \$26+ billion worth of investment. This activity, in the absence of rail infrastructure, realizes the need for larger, heavier trucks and increased frequency of these trucks on northern roadways, escalating existing hazards identified by municipal and provincial governments for years – slow response or lack of funding to correct these concerns reduces the quality of life for BC residents of the north and creates unnecessary obstacles for industry.

While the Coalition applauds some work that has increased passing opportunities, provided safer chain-off areas and improved signage, northern highways like Highway 97, still rank as numbers 4, 5 and 9 in a list of “British Columbia’s 12 deadliest highways”⁴, as noted in an article by Justin Mcelroy – Global News, 2016.

This coupled with a report from the Provincial Government, “Motor Vehicle Related Fatalities 10-year Statistics for British Columbia 2008 – 2017”⁵ identifies aggressive driving and driver error as common factors in police reported crashes in the province. To better understand why they are ranked with a crash injury rate of 53.2% and 38.5% respectively, one must understand the definitions:

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- 2) Major Project Inventory Q3 2019
 - 3) Alaska Highway News – May 22, 2015 “The 700-meter Headache: The Future of the Taylor Bridge is murky”
 - 4) British Columbia’s 12 Deadliest Highways – Justin Mcelroy, Global News, August 6, 2016
 - 5) Motor Vehicle Related Fatalities 10-Year Statistics for British Columbia, 2008 – 2017, Policy and Strategic Initiatives Branch

Aggressive driving is defined as, “Crashes where one or more of the following contributing factors was assigned to at least one of the individuals involved in the crash: cutting, failing to yield right-of-way, following too closely, ignoring traffic control devices, and ignoring officer/flagman/guard.”

Driver error is defined as, “Crashes where one or more of the following contributing factors was assigned to at least one of the individuals involved in the crash: backing unsafely, failing to signal, improper passing, driving on wrong side of road, improper turning, failure to secure a stopped vehicle, and driver error/confusion.

While the report does not clearly identify these factors as directly related to physical road conditions or the lack of appropriate infrastructure; analysis of the all factors including more commercial traffic, heavier loads and deteriorating infrastructure or insufficient traffic control results in driver fatigue and anxiousness resulting in drivers taking unnecessary risks while traveling the highways.

Funding commitments to complete projects like twinning of Highway 97 and South Taylor Hill, are recommended as data referenced in the discussion of replacing the Taylor Bridge indicates – traffic growth annualized is at 7.5%. Recognizing that the 2018 LNG Canada investment and the development of the Coastal GasLink pipeline will require significant development of the Montney Basin gas reserves, this volume is only anticipated to increase beyond the annualized 7.5%.

As the province has worked to “flatten the curve” of COVID-19, the northeast remains the region of the province with the lowest unemployment rate, supporting Premier Horgan’s statement on April 9, 2019 that the northeast is “...the Engine that drives the economy of BC.” – during a meeting with the Resource Municipalities Coalition.

Recommendation

The Resource Municipalities Coalition in support of the BC Chamber of Commerce, BC Truckers Association, the Independent Contractors and Businesses Association of BC and the Business Council of BC strongly recommend the allocation of funds to 4 lane Highway 97 from the Alberta border to Fort St John, inclusive of completion of the South Taylor Hill remediation and replace the Taylor Bridge with a 4 lane, solid surface structure that can support the future growth and development of northern British Columbia.

Ministry of Education

Summary

The ability to engage and enable learners has been challenged with the impact of COVID-19. Students go to school to develop their individual potential, to acquire knowledge and skills, and to develop their future. During this time of their life, they begin to develop the attitudes and mindset that can allow them to interact with society in a healthy and sustainable means. COVID-19 has allowed us to see alternative solutions to meet these needs and provided an understanding that we need to do more to support our future British Columbians.

Energy Education

The delivery of meaningful education for British Columbians will enable learners to develop knowledge and skills that support a healthy society and a prosperous, sustainable economy. As part of the government's policy to improve the quality of life the Coalition encourages developing programs that address education recommendations of a 2018 Energy Symposium⁶ designed to understand what British Columbians believe are the hurdles to advancing the provinces energy industry.

The symposium asked participants to engage in discussion that may help to provide direction to the provinces desire at the time to develop an Energy Roadmap. Despite the Provinces shift in direction to advance the initiatives of Clean BC, there are parallels that deserve further review and engagement.

It is imperative for all members of a community, not just those directly involved in the energy industry, renewables or non-renewables, to be educated on energy, economics, sustainability, and the climate of the industry from credible resources that communicate all aspects of the industry in a transparent and factual manner. It is recognized that there is a clear lack of understanding regarding the use of energy resources in everyday life and how changes to the industry impact individuals on a personal level. This lack of understanding has significant impacts on the ability of British Columbians to have a respectful, factual dialogue based on credible information. Premier Horgan on April 9, 2019 in a meeting with the Resource Municipalities Coalition, recognized the need to help move the debate away from two outrageous poles to more reasonable discussions in the middle ground. *"We need to stop the frequent clashes between the two extremes and begin working together."* – Premier Horgan.

During this meeting, it was agreed that one of the most effective ways to increase the knowledge base associated with the energy industry is to engage and involve future generations in conversations surrounding the energy industry today. Early education in schools surrounding the topics of science, energy, resource generation and sustainability is essential for a well-rounded understanding of the energy industry and how the industry operates, while instilling the desire to seek new and innovative ways to improve industry operations.

In addition to increasing the knowledge base associated with the energy industry, is the need to ensure that the information being presented conveys all aspects of the topic, including associated benefits and drawbacks of various aspects of the field. This increases the credibility of the information being presented, reduces misunderstanding and miscommunication, and enables the recipient of the information to make an informed decision. This is essential to making sound decisions regarding the energy industry in British Columbia and sharing the innovations and learnings of British Columbians.

The need for a continuous education process to inform children on all aspects of the energy sector starts as early as pre-school. Vicki Palmer, a childhood educator and founder of TicTacTeach⁷ comments, *"When children are young, they are learning sponges."* The Coalition recognizes that the need to advance a knowledgeable future generation of engaged and educated British Columbians begins in the classroom. Ms. Palmer goes on further to stated that *"You can never have a*

greater impression on a person than when they are in their early childhood years.” Many institutions like Ryerson University, George Brown College and the University of British Columbia agree that early childhood education is about honing and molding the holistic child, which will eventually form the basis of their lifelong journey. The influencers of our economic sustainability.

Recommendation

The Resource Municipalities Coalition encourages the development of education programs, through collaboration with educators and industry, that brings industry experts into the classrooms of students in British Columbia to provide relevant discussion on renewable and non-renewable energy - a program that addresses all energy sources, the economics behind the individual energy source, the sustainability of those resources and the potential risks of these sources.

By providing full and unedited information and data, future British Columbians will become better equipped in the decision process of driving the energy industry within British Columbia.

6) Resource Municipalities Coalition – British Columbia’s Energy Roadmap – presented to government April 9, 2019
7) Vicki Palmer, founder of TicTacTeach.com

Ministry of Finance

British Columbia based oil and gas service companies, contractors and suppliers are experiencing difficulty competing with companies based in Alberta and other provinces. This is due, in large part, to non-resident companies failing to comply with BC tax laws for the payment of the provincial sales tax (PST). The major concern relates to Alberta based companies because of their proximity to British Columbia and the close business relationship between Alberta.

The inability of BC businesses to compete fairly is having negative consequences. Reduced business activity and revenue have led to reduced investment, declining employment, and an unstable business climate. The provincial government is also forgoing economic and financial benefits due to reduced employment and tax revenue.

The Coalition believes amendments to the BC PST Act, increased efforts to raise awareness of BC's tax requirements and increased monitoring and enforcement would reduce the incidence of non-compliance. The Saskatchewan model provides an excellent example of how the BC system can be improved.

The Coalition recognizes that the tax regimes of the two provinces are different and that in Alberta companies may enjoy an overall tax advantage. The Coalition also supports the removal of barriers to inter-provincial trade, investment and labour mobility and does not oppose competition from non-resident companies. It is the contention of the Coalition that non-resident companies' failure to comply with BC tax law is a major issue in the ability of BC companies to compete fairly.

The Importance of Requiring Non-Residents Companies to Pay the Provincial Sales Tax

Under the provisions of the BC Provincial Sales Tax Act, S.BC 2012, c. 35 ("PST Act"), all persons are required to pay PST¹ in respect of non-exempt tangible personal property (TPP) that is sold or leased in BC (PST Act ss. 37, 39) or brought into BC and used or consumed whether under lease (PST Act s. 41) or otherwise (PST Act s. 49).²

The obligation to pay PST applies to persons in BC whether they are a BC resident or a person or entity resident outside BC who is using or consuming the TPP in BC in the course of the person's business, whether or not the business is carried on in BC³.

Reporting of PST payable by persons other than collectors⁴ is on a self-reporting basis. Non-resident businesses may be unaware on the PST obligations associated with conducting business activities in BC, or simply choose not to comply with reporting and payment obligations. This creates a less than level "playing field" because non-resident companies:

- Do not bear administrative costs of reporting and paying tax in BC.
- Do pay taxes to which BC residents are equally subject.
- Would only be subject to prevailing taxes in their home jurisdiction which in the case of Alberta would include no provincial sales tax rather than 7% PST in BC, in addition to the 5% GST payable in both provinces; and

¹ The acronym PST for both BC and Saskatchewan provincial sales tax.

² TPP that is in BC fewer than 6 days is not subject to taxation under s. 49 of the PST Act (s. 53 and PST Regulation s. 17).

³ Section 5 of the PST Act defines "carrying on business" in the province based on factors including whether a person's name is advertised or in a telephone directory with a BC telephone number or address or has employees, representatives, warehouse, office or place of business in BC. Specific provisions apply to non-residents carrying on business in BC. The obligation to pay PST exists if TPP is used or consumed in BC in the course of the person's business regardless of whether the person is technically "carrying on business" in BC.

⁴ Collectors are entities registered under the PST Act or otherwise obligated to collect PST in connection with commercial transactions as an agent of the Crown (PST Act s. 178).

- Have the benefit of doing business in a BC economy supported and regulated at the cost of the BC taxpayer, without contributing to the payment of those costs (such as road and other infrastructure)

In addition to the apparent unfairness of an unequal tax treatment, the non-payment of PST by many non-residents creates an incentive for BC residents to avoid BC taxes or consider relocating to Alberta so that they can also enjoy the advantage of non-residents.

The implications of PST non-payment adversely impact the BC economies in several ways:

- Employment of BC workers is lower
- Local, regional, and provincial economic benefits are reduced
- Local and provincial government revenues are reduced
- Non-resident businesses impose a cost on BC making a much lower (if not zero) financial contribution compared to BC businesses
- The non-payment of PST by non-resident business results in a direct revenue loss to the provincial government.

The focus of the Coalition is to promote a "level playing field" where BC businesses are not at a competitive disadvantage in their own province.

The PST Problem in More Detail

Data for determining the extent to which non-resident companies are non-compliant with BC's PST requirements is not available due to:

- Reliance on self-assessment and reporting for the payment of BC's PST; and
- Tax information provided to the Ministry of Finance is confidential.

The information provided by BC companies competing for contracts with Alberta companies cannot be dismissed. The reports confirm that non-compliant Alberta companies is a result of two causes:

- Willful avoidance in paying the BC PST by Alberta based companies to gain an advantage in a highly competitive market.
- Failure to understand and comply with the complex requirements and procedures for payment of the BC PST.

BC PST legislation does not require the payment of the PST on some services that may be provided in Alberta, but which have an impact on the ability of BC companies to compete fairly with Alberta companies. Examples include:

- PST is not payable on certain types of equipment (e.g. safety equipment, radios) that is installed in vehicles in Alberta. While the vehicle is subject to the PST, equipment itself is not.
- PST is not payable on major repairs undertaken in Alberta to equipment that operate in BC

There is also evidence that companies with offices in both provinces take advantage of their Alberta-based operations to avoid payment of the PST on major repairs, refitting and other maintenance carried out on equipment working in BC

There is a need to provide the legislative, regulatory and policy basis to strengthen the ability of the Ministry of Finance to monitor and enforce compliance.

A comparison of the PST legislation in BC and Saskatchewan provides an indication of how BC PST legislation could be strengthened.

Differences between the Approaches of BC & Saskatchewan in Dealing with Companies based in other Provinces

BC and Saskatchewan are similarly positioned to the large oil and gas industry in Alberta and both provinces have similar challenges in the application of their provincial sales tax regimes

Under both the PST Act and the Saskatchewan Provincial Sales Tax Act, R.R.S. 1978, c. P-34.1 (SK. PST Act) there is an obligation on non-resident businesses to report and pay PST. Saskatchewan has responded to challenges by implementing administrative provisions related to reporting and security for payment of PST.

Sections 9 (general) and 9.1 (temporary) set out the provisions related to the reporting of TPP brought into Saskatchewan. Section 9.1 provides as follows for TPP brought into Saskatchewan temporarily for the purposes set out in s. 9⁵:

- " (9.1) Every person residing or ordinarily resident or carrying on business in Saskatchewan who, on a temporary basis, brings into Saskatchewan or receives delivery in Saskatchewan of tangible personal property for a purpose or in a capacity described in subsection (9) shall:
- (a) immediately report the matter to the minister or the minister's appointee.
 - (b) forward or produce to the minister the invoice, if any, with respect to the property and any other information required by the minister with respect to the property; and
 - (c) pay tax with respect to the consumption or use of the proportionate part of that property, determined in the manner prescribed in the regulations, that is attributable to its consumption or use within Saskatchewan, at the rate that would be applicable if the property had been purchased at retail in Saskatchewan. "

In addition, the Saskatchewan PST regime requires non-resident contractors who operate in the petroleum industry to:

- register with the Revenue Division to file returns and to report PST (Saskatchewan Tax Bulletin PST-13 (SK TB PST-13) section A);
- deposit with the minister or post a Guarantee Bond of 5% of the total contract amount to secure payment of the tax imposed by the SK PST Act in respect of TPP consumed or used pursuant to or in carrying out the contract (SK PST Act, s. 29(1)); and
- obtain a clearance letter from Revenue Division upon completion of their contracts in the province (SK TB PST-13, PST-38 section G(c))

The company is responsible for the payment of PST owing if the contractor fails to do so (SK PST Act, s. 29(2)). It is standard practice for contracts to have a holdback of 5% which the contracting party will then release to the contractor once the clearance letter issued by Revenue Division is received.

A comparison of the key provisions relating to non-resident (Alberta) companies' obligations under BC and Saskatchewan PST regimes is set out in Table 1.

Adoption of provisions B-E in Table 1 from the Saskatchewan PST regime would provide much enhanced rigour that should cause non-resident businesses to comply more fully with the intent of ss. 41 and 49 of the PST Act and restore some levelling in the playing field between BC and Alberta companies operating in BC⁶

⁵ " for his own consumption or use, or for the consumption or use of other persons at his expense, or on behalf of or as agent for a principal who desires to acquire the property for consumption or use by the principal or other persons at his expense

⁶ Ministry of Finance legal counsel can be counted on to ensure that no issues arise in drafting legislation, regulation or policy in regard to trade agreements and treatment of trading partner entities.

Table 1 - Comparison of Provisions of British Columbia and Saskatchewan Related to Taxation of Taxable Tangible Personal Property brought into the province by Alberta Companies

	British Columbia	Saskatchewan
A. Obligation of AB companies to pay PST on TPP brought into the province	Yes PST Act ss. 39, 41 for leased TPP PST Act s. 49 for unleased TPP	Yes SK PST Act s. 5 (9) and (9.1)
B. Required to register with Revenue Division to file returns and to report PST	No May register, but focused on collectors of PST	Yes SK TB PST-13
C. Required to deposit with the minister or post a guarantee bond of 5% of the total contract amount	No Would be 7% in BC	Yes SK PST Act s. 29(1) SK TB PST-13
D. Required to obtain a clearance letter upon completion of contracts in the province	No	Yes SK TB PST-13, PST-38
E. Contracting party to assume responsibility for payment of PST if non-resident company fails to pay	No	Yes SK PST Act s. 29(2)
Notes		
(1) PST Act = Provincial Sales Tax Act, S.BC 2012, c. 35.		
(2) SK PST Act = The Provincial Sales Tax Act, R.R.S. 1978, c. P-34.1.		
(3) SK TB denotes a specific Saskatchewan tax bulletin.		

General Principles and Criteria Used in Identifying Solutions

The solution to the problem must consider the principles and criteria which have been established not only by the government of British Columbia but also in various agreements that have been negotiated between the government of BC and other provincial governments. While the inter-provincial agreements address only the procurement of goods and services by governments and government agencies, they also provide some guidance to the objectives of the provincial governments on inter-provincial trade, investment, and labour mobility in general. The principles established in the following agreements and documents might be appropriate in the evaluation of solutions to address the non-compliance of non-resident firms to BC's PST requirements.

- Various inter-provincial agreements including; the New West Partnership Trade Agreement, between the provinces of BC, Alberta and Saskatchewan which came in effect in 2010; and, the Trade, Investment and Labour Mobility Agreement between the BC and Alberta that came into effect in 1995.
- The B.C Government's terms of reference for the Commission on Tax Competitiveness established in 2016.

The trade agreements embody key principles such as enhancing competitiveness, economic growth, and stability; eliminating barriers that restrict or impair trade, investment or labour mobility; and, increasing opportunities and choice for workers, investors, consumers and businesses. While the agreements deal with procurement by governments and government agencies, they are also relevant as broad principles for procurement by private companies. The Coalition fully supports the objectives established in the trade agreements as well as the principles embodied in them not only as they relate to public sector procurement but also procurement by private companies. The Coalition fully supports increasing competitiveness, reduction in trade barriers and increasing opportunities and choice for individuals and businesses.

While the trade agreements promote inter-provincial trade, investment, and procurement, they also point to the need for provincial governments to recognize the need and reconcile differences in their standards and regulations which impact fair competition.

The recently established Commission on Tax Competitiveness is addressing the reform of the PST in detail and is evaluating options for reform based on several criteria including:

- competitiveness of BC businesses.
- business investment.
- economic growth.
- tax policy principles.
- impact on provincial government revenues; and
- impact on British Columbians in general.

The Coalition interprets the principles set out in inter-provincial trade agreements and in recently prepared terms of reference for the reform of the PST as follows:

- While the provincial government aims to reduce barriers to inter-provincial trade, investment and labour mobility to increase competitiveness and economic growth; it also intends to ensure BC based businesses remain competitive and increase overall economic growth and employment opportunities in the province.
- The provincial government objective is to ensure options for the reform of the PST reflect important tax policy principles. Commonly held principles include equity and fairness, simplicity, certainty, transparency, neutrality, stability and the ability to produce required government revenues.

It is the objective of the provincial government to ensure that non-resident businesses comply with the laws of the Province in the payment of the PST to ensure equitable and fair treatment of all businesses in BC.

Recommendations

The following recommendations are consistent with understanding of current issues related to the payment of the PST by non-resident companies and the principles that are relevant to the development of solutions.

1 – Increase Level of Monitoring and Enforcement of BC Tax Laws

Increase the level of monitoring and enforcement of BC tax laws as they relate to the payment of the PST by non-resident companies working in BC Specifically:

- Increase Ministry of Finance staff resources, particularly field staff in Northeast BC, to increase the level of monitoring and auditing of non-resident companies.
- Establish policies and procedures to coordinate enforcement of PST laws and regulations between the Ministry of Finance, the BC Oil and Gas Commission, the RCMP, WorkSafe BC and the Ministry of Transportation and Infrastructure.
- Establish a formal process to enable citizens and BC based companies to report cases of non-compliance.

2 - Implement Public Awareness Program

Develop and implement a tax public awareness program for non-resident companies working in BC

3 - Establish a Process to Enable the Public to Access Non-Confidential Information

Implement a public reporting regarding payment of the PST by non-resident companies including identification of non-resident companies that have been fined for non-payment of the PST.

4 – Review and Amend Existing Legislation and Regulations to Enhance the Ability of the Ministry of Finance to Monitor and Enforce the Payment of the PST by Non-Resident Companies

Amend the BC PST Act, regulations, and policy to enhance the ability of the BC Ministry of Finance to monitor and enforce the Provincial Sales Tax Act. Specifically, implement similar measures to those enacted by the Province of Saskatchewan:

- Require non-resident companies to register with the Ministry of Finance to file returns and report the PST.
- Require non-resident companies to make a guarantee bond of 7% of the total contract amount to secure payment of the PST with the Ministry of Finance.
- Require non-resident companies to obtain a clearance letter from the Ministry of Finance upon completion of the contracts in BC
- Require contracting parties to assume liability for payment of the PST where the non-resident company fails to comply with the PST Act.

Impacts of the Recommended Changes

Revenue Impacts

Adopting the recommendations will have a positive impact on the amount of revenue collected by government through:

- direct government revenue from increased PST payments by non-resident companies.
- local and provincial government revenue from indirect employment and spending of BC business as the comparative advantage of non-resident businesses is reduced and BC
- reduced incentive for BC businesses not to comply with PST reporting or payment as non-resident companies comply more fully; and
- reduced incentive for BC businesses to re-locate to Alberta to address their disadvantage.

Ease and cost of administration

Adopting changes in the BC PST regime to encourage non-resident companies to comply with the provisions of ss. 41 and 49 (payment of PST for non-exempt TPP brought into and used or consumed in BC) will increase administration of the PST system to:

- design and distribute reporting materials (distributed and submitted electronically).
- communicate with taxpayers to ensure correct provision of information and payments.
- receive, process and release security deposits and guarantee bonds (involve Provincial Treasury or Cash Management services);
- process returns and payments; and
- spot audit returns and resolve resulting compliance issues.

The Coalition welcomes competition from non-resident companies provided that such companies comply with the laws and regulations of the Province in all respects including the payment of the PST. It is the Coalition's expectation that the provincial government will ensure that its policies, procedures, and regulations respecting the payment of the PST are sufficient, effective and clear in promoting compliance by non-resident companies. Finally, it is the expectation of the Coalition that sufficient resources will be deployed by the provincial government to enforce its laws and regulations.